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TAGS: [ECON](#) [ETRD](#) [KTEX](#) [YM](#)
SUBJECT: YEMEN'S TEXTILE INDUSTRY IS HANGING BY A THREAD

REF: A. SECSTATE 114799

[1](#)B. SANAA 1343

Classified By: DCM Angie Bryan, per reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY: Yemen's textile and apparels industry is small, comprising 5,000 employees. Exports are virtually non-existent. Foreign imports account for almost all textiles sold inside the country. No protections exist for Yemeni textile manufacturers, the textile industry has received only nominal government support, and one of Yemen's six textile factories has already stopped production. Future prospects for the Yemeni textile industry seem bleak. END SUMMARY.

TEXTILE PRODUCTION SMALL, BUT STABLE

[1](#)2. (U) Yemen possesses a small textile and apparel industry. In a September 17 meeting with Econoff, the General Director of the Foreign Trade Office at the ROYG Ministry of Industry and Trade, Fadhl Mansour, stated that there are only six factories: three public and three private. Two of the public textile factories are located in Sana'a (one of which is operated by the Yemen Economic Cooperation (YECO) and one other is in Aden. The three private textile factories are owned by the al-Hotami, al-Rajawi and al-Aqil families (all in Sana'a). Ownership of the al-Rajawi company is divided between the ROYG (20%) and the private sector (80%). Yemen's textile industry employs at least 4,700 people out of a total population of twenty-two million.

[1](#)3. (C) National figures on the value of total textiles and apparel production in USD value are unavailable, but post was able to obtain figures for the private al-Rajawi Yemen Textile Industry Company, which sold USD 1.2 million in school uniforms, army ware, kitchen fabrics and bedsheets in 2006 and USD 800,000 during the first nine months of 2007. Production of school uniforms and kitchen fabrics has increased by 15 percent in 2007 compared to 2006. Production in the al-Hotami factory is very minimal and production in one of the public textile factories in Sana'a stopped altogether in late 2006. (NOTE: The ROYG Ministry of Industry and Trade (MOIT) has not been tracking data on total industrial production in USD value, the textile/apparel share of Yemen's imports and exports and total manufacturing employment. However, the MOIT Foreign Trade Office is in the process of being established and will collect these statistics in the future. END NOTE) According to the World Bank, total industrial production in 2005 accounted for USD

5.13 billion, approximately 35.4 percent of Yemeni GDP. In the industrial production category, manufacturing accounted for only USD 667 million in 2005, 4.6 percent of GDP. Figures for 2006 and mid-2007 are unavailable.

NON-EXISTENT EXPORT MARKETS

¶4. (C) The vast majority of Yemeni textile production is earmarked for its domestic market. Yemen's export of textiles and apparels is limited to only one country: Ethiopia. The General Director of the Yemen Textile Industry Company, Nabil al-Rajawi, told Econoff on September 10 that his company has a branch in Ethiopia which produces bedsheets and school uniforms. His company's exports to Ethiopia have been declining. In 2005, the Yemen Textile Industry Company exported only 25,000 school uniforms and 50,000 bedsheets to Ethiopia. In 2006, his company exported only 12,000 school uniforms and 18,000 bedsheets. Yemen currently does not export any of its textiles to the United States. Al-Rajawi desires to expand exports of his company's textiles to other countries, including the United States, but emphasized that Yemen will need to join the World Trade Organization in order for this to be possible and that his company will need to receive technical assistance and training on international standards, best practices and ways to enter and compete in the international marketplace.

CHINA DOMINATES DOMESTIC TEXTILE MARKET

¶5. (U) Yemen continues to face stiff competition from textile and apparel imports, especially from China. Mansour noted that Yemen is a member of the Arab Free Trade Area (AFTA), but this arrangement has not benefited Yemen since this has led to a flood of imports from the region "which has left Yemen with a negative trade balance." According to Mansour, ninety percent of textiles in the Yemeni marketplace comes from China, Indonesia and Malaysia, while only ten percent comes from indigenous Yemeni firms. Chinese have undersold Yemeni products in the market. Mansour observed that "whereas Yemeni-produced traditional mawaz (skirts) cost YR 4000, Chinese-produced ones cost only YR 600." Al-Rajawi added that the low price of Chinese imports prevents Yemeni companies from raising their own products' prices, which in turn prevents them from offering higher salaries to Yemeni textile workers. This problem has become more acute as textile workers have demanded higher wages as a result of rampant price inflation of basic commodities (reftel B). There are currently no protections against the flood of Chinese imports. Protections exist under the new Foreign Trade Law which Parliament passed in July 2007, but the ROYG has yet to devise by-laws to implement the law.

¶6. (C) Yemen's struggles in the textile industry are illustrated by one government-owned factory which stopped production in late 2006 due to mismanagement. Mansour said that the factory was established in 1962 and that China funded both its construction and equipment purchases. The factory used to produce military and school uniforms, but now these products are imported from China. Nevertheless, the ROYG continues to pay the factory's 1,200 employees even though the factory is no longer producing. (Note: al-Rajawi told Econoff that the Yemen Textile Industry Company has partnered with the Yemen Economic Corporation to try to rejuvenate the factory. End note.)

LIMITED GOVERNMENT SUPPORT FOR TEXTILE INDUSTRY

¶7. (C) Beyond this measure, ROYG support of the textile industry in Yemen has been minimal. Al-Rajawi complained that the ROYG still has not built roads or electricity infrastructure for his company despite repeated demands. He also argued that the ROYG should subsidize the textile

industry in order to help it break even in the face of Chinese imports.

COMMENT

18. (C) Yemen's textile industry has limited growth potential. Compared to oil and natural gas, agriculture and fisheries, the textile and apparels industry accounts for a very small percentage of Yemen's GDP. Most Yemeni textile production is geared for domestic consumption and its export markets are virtually non-existent. Post does not expect Yemen's textile industry to grow dramatically in the near future, or to be competitive in the international marketplace. A significant amount of investment and capacity building will need to take place first. Whether the new Foreign Trade Law can protect domestic industries from Chinese competition remains to be seen. END COMMENT.

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